



**INSTRUCTIONS FOR COMPLETING THE STATEMENT OF ESTIMATED INCOME
TAX
PAYABLE AND PAYING THE TAX INSTALLMENTS
YEAR OF ASSESSMENT 2019/2020**

In terms of the provisions of the Inland Revenue Act, No. 24 of 2017 (IR Act), every person who is chargeable with income tax is required to furnish a Statement of Estimated Income Tax Payable (SET) Form for any year of assessment on or before **15th August**.

It is strongly advised to read this set of instructions before completing the SET Form.

This set of instruction consists of;

- GENERAL INSTRUCTIONS
- INSTRUCTIONS TO COMPLETE THE STATEMENT and
- CALCULATION OF INCOME TAX INSTALLMENT PAYMENTS

1. GENERAL INSTRUCTIONS

In terms of Sections 90, 91, and 92 of the IR Act, every person who is liable to pay income tax, is required to submit a SET Form for the year of assessment 2019/2020 on or before the 15th August, 2019. Furthermore, the estimated tax should be paid in four installments.

1.1 Issuance and Submission

- **Issuance**

SET Form may be issued by the Commissioner General of Inland Revenue to the person who is chargeable with income tax and if not received could be obtained from the Taxpayer Services Unit at the IRD Head Office or from any Regional Office.

- **Submission**

Duly completed SET Form can be furnished to the Central Document Management Unit (CDMU) at the IRD Head Office or to any Regional Office.

OR

SET Form can be sent through **registered post to** the Commissioner, Central Document Management Unit, Inland Revenue Department, Chittampalam A Gardiner Mawatha, Colombo 02.

1.2 How to amend Estimated Tax Payable

Original SET Form furnished by a person, shall remain in force for the whole of the year of assessment unless revised statement is submitted. If there is any change in estimated tax payable, a revised SET Form can be submitted and installment payments should be made accordingly. Further in the event of submitting a revised estimate, it is important to mark ‘✓’ in the cage, ‘Revised Statement’ of the SET Form.

(Please “✓” mark the relevant cages)		
STATEMENT TYPE:	Original Statement <input type="checkbox"/>	Revised Statement <input type="checkbox"/>

1.3 Penalty for late filing of the SET Form

A person who fails to submit the SET Form on or before due date, a penalty under section 178 of the IR Act shall be liable to pay.

Accordingly, penalty would be equal to the greater of;

5% of the amount of the tax owing, plus a further 1% of the amount of the tax owing for each month or part of a month during which the failure to file continues; or

Rs.50, 000 plus a further Rs.10, 000 for each month or part of a month during which the failure to file continues.

(Maximum penalty shall be limited to Rs.400, 000)

1.4 Payment of Estimated Tax

- Payment Due Dates**

The estimated tax shall be paid in four equal amounts by the following dates.

Tax Installment		Due Date
First Installment	-	15 th August 2019
Second Installment	-	15 th November 2019
Third Installment	-	15 th February 2020
Fourth Installment	-	15 th May 2020

- Paying in slips**

When making quarterly installment payments, ‘paying in slips’ issued by the IRD and posted to the taxpayers to be used. Also these slips can be obtained from the **Inland Revenue Tax Payer Service Unit at the Head Office, all Regional Offices and from the branches of the Bank of Ceylon, if required.**

- **Installment Payment Codes**

For the Installment payments, the tax period codes should be used as mentioned below;

Installment		Payment Period Code
First Installment	-	19201
Second Installment	-	19202
Third Installment	-	19203
Fourth Installment	-	19204

- **The payments should be made to any branch of the Bank of Ceylon.**

1.5 Legal Actions for evading installment payments

Following legal actions can be contemplated against any person who has willfully evaded installment payments.

1. **Penalty for nonpayment /late payment** - (Under Section 179(2) of the IR Act)
A person who fails to pay all or part of an installment required under this Act, within 14 days of the due date for the installment shall be liable to a penalty equal to 10% of the amount of tax due but not paid.
2. **Interest on default** - (Under Section 159(1) of the IR Act)
In the event of a default of an installment or part thereof, **1.5% interest** per month or part month could be charged on such default installment or part of the installment.

2. INSTRUCTIONS TO COMPLETE THE SET FORM -2019

Mark “✓” at the relevant cage to indicate whether the Statement is the first statement/Original Statement, or Revised/Amended Statement. Also indicate the Income tax type.

(Please mark “✓” at the relevant cage)			
STATEMENT TYPE:	Original Statement	<input type="checkbox"/>	Revised Statement <input type="checkbox"/>
INCOME TAX TYPE:	Corporate Tax	<input type="checkbox"/>	Individual Income Tax <input type="checkbox"/> Other <input type="checkbox"/>

2.1 PART – I – CALCULATION OF ESTIMATED TAX PAYABLE

I. The amounts of **expected / estimated income** from each sources of income should be declared in cages (10), (20), (30) and (40) of the SET Form.

II. **Cage 50- Estimated Assessable Income.**

i. Total estimated income/gain from employment, business, investment or other income source would be the total estimated assessable income of a person.

Enter total of all income enumerated under cages 10 to 40 in the cage 50.

ii. Income on which final withholding payments should not be included in calculating estimated assessable income. such as;

- Dividend paid by a resident company to a resident person
- Interest paid to resident individuals etc.

III. **Cage 60 - Deductible on Qualifying Payments and Reliefs**

Enter only deductible amount of all estimated qualifying payments and reliefs to be made during the year. (Subject to following restrictions).

a) **Qualifying Payments**

- Donations to Approved Charity

Type of donor	Maximum amount deductible as qualifying payment
Individual	The lower of: (a) 1/3 of the taxable income of the individual for that year of assessment; or (b) LKR 75,000
Entity	The lower of: (a) 1/5 of the aggregate taxable income of the entity for that year of assessment; or (b) LKR 500,000

- Donations to Government or other specified institutions
- Profits remitted to President’s Fund

b) **Reliefs**

- **Personal Relief**

Resident individuals are entitled to a basic relief in the amount of Rs. 500,000 for each year of assessment. However, this does not apply to an individual in his capacity as a trustee, receiver, executor or liquidator. The relief may be deducted from the Assessable income of an individual except to the extent that the Assessable income comprises gains from the realisation of investment assets.

- **Employment Income Relief**

Resident individuals are entitled to an additional relief on employment income in the amount of Rs. 700,000 for each year of assessment.

- **Rental Income Relief**

Resident individuals who derive investment income from rent are entitled to a rental income relief in the amount of 25% of the total rental income for each year of assessment. This relief is available only where the resident individual does not claim any actual expenditure for repair, maintenance and depreciation of the investment asset.

- **Senior Citizen Interest Relief**

Senior citizens (defined in section 195(1) as resident individuals who are Sri Lankan citizens aged 60 years or over) are entitled to a relief of up to Rs. 1.5 million for each year of assessment in respect of interest income derived from a financial institution.

IV. Cage 70 – Estimated Taxable Income

Deduct total of deductions in cage 60 from Estimated Assessable income in cage 50 to arrive at the Estimated Taxable Income.

V. Cage 80 – Estimated Tax Liability

Estimated tax liability should be computed as follows;

a) Individuals

Select the taxable income range within which your taxable income falls and compute the tax accordingly.

Taxable Income Range (Rs)	Tax on Taxable Income equal to the lowest of the range	Tax rate on the excess taxable income over the range
First 600,000	24,000	4%
Next 600,000	48,000	8%
Next 600,000	72,000	12%
Next 600,000	96,000	16%
Next 600,000	120,000	20%
Balance		24%

Higher Rate 40%

(Income from business of betting and gaming, liquor and tobacco)

b) Companies

- Standard Rate - 28%
- Concessionary Rate - 14%
- Higher Rate - 40%

(Income from business of betting and gaming, liquor and tobacco)

c) Charitable Institutions - 14%

d) Unit Trust – 28%

VI. Cage 90- Estimated Foreign Tax Credit

Enter any Foreign Tax Credit if any in **Cage 90**. Foreign tax credit is limited to the amount of tax on such part of profits or income to which foreign tax credit relates.

VII. Cage 100 – Estimated Tax Payable

Estimated tax payable would be the difference between estimated tax and estimated foreign tax credit. Deduct foreign tax credit declared in cage 90 from Estimated Tax Liability in cage 80 to arrive at the Estimated Tax Payable.

Estimated Tax Payable would be taken in to account in calculating the quarterly installments.

2.2 PART – II – DECLARATION

It is mandatory to complete Part (A) and Part (B) of the Declaration where the SET Form or part of the SET Form is prepared by **some other person** (including an approved accountant), other than a full-time employee of the taxpayer.

Part (A) - Should include details of other person who has prepared the SET Form (including approved accountant)

Part (B) -Taxpayer or the taxpayer’s duly authorized agent, should sign the return using part (B) of the Declaration.

3. CALCULATION OF FINAL QUARTERLY INSTALLMENT PAYMENTS

I. The quarterly installment payment is calculated by using following formula.

$$\text{Quarterly Installment Payment (E)} = \frac{\text{A} - \text{C}}{\text{B}}$$

A	-	Estimated Tax Payable (Amount declared in Cage 100)
B	-	Number of installments remaining including the current installment
C	-	Tax payments prior to that installment

- **Estimated Tax Payable (A)** - Amount declared in Cage 100

- **Number of installments payable including the relevant installment - B**

Installment	1	2	3	4
“B”	4	3	2	1

- **Tax payments prior to that installment - C**

Following payments to be considered as payment for above “C”;

- Previous installment payments, and
- any withholding tax payments (WHT)

paid /withheld prior to the due date of payment of the current installment payment.

In case if any payments have been made prior to making the installment, the actual quarterly tax installment to be calculated taking in to account those payments . Accordingly, the amount of actual tax installment to be paid may not be equal to the one fourth of the estimated tax payable.

II. Additional Deductions (F)

While calculating the final **quarterly installment payment**, the following payments if any, could also be deducted from the calculated quarterly installment payment (**E**).

1. Any deductible Economic Service Charge (ESC) paid under ESC Act, No. 13 of 2006
2. Any advance installment payment for relevant quarter
3. Notional Tax Credit(NTC)

The **Final Quarterly Installment Payment** would be the difference between Quarterly Installment Payment and Additional Deductions.

$$\text{FINAL QUARTELY INSTALLMENT PAYMENT} = \text{E} - \text{F}$$

E	-	Quarterly Installment Payment
F	-	Additional Deductions

For further details please contact;

1. 1944 – Inland Revenue Call Centre
2. 011-2134200 – Senior Commissioner – Business Consultation Unit
3. 011-2134250 - Commissioner - Customer Supporting & Promotion Unit
4. 011-2134251 - Commissioner– Business Consultation Unit
5. Commissioners of all Regional & Metro Units